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AUTHOR Hayes, Sherman, Ed.
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ABSTRACT

Although appropriate for all librarians, this primer is aimed at beginning librarians and students pursuing library science degrees, and covers 150 terms used in most libraries. The purpose of the primer is to encourage its readers to analyze their use of the defined business terms and to expose them to new and applicable terminology. The work resembles a glossary, but is considered a primer because it includes explanations and examples as well as definitions. Many of the terms have local variations and/or several meanings; therefore, readers are advised to be alert to variances in their own situations. Entries are cross-referenced as needed. Examples of terms include: appropriated funds, fiscal year, income types, inventory control, millage, requisition, variable expense, and work order. (SD)

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PRIMER OF BUSINESS TERMS AND PHRASES RELATED TO LIBRARIES

EDITED BY

SHERMAN HAYES

SPONSORED BY

BUDGETING, ACCOUNTING, AND COST COMMITTEE

LIBRARY ORGANIZATION AND MANAGEMENT SECTION

LIBRARY ADMINISTRATION DIVISION

AMERICAN LIBRARY ASSOCIATION

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Budgeting, Accounting, and Cost Committee
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Amercian Library Association

March, 1978

Participating Committee Members

Robert Case
Lancaster County Library
Lancaster, PA

Sherman Hayes, Chairperson
University of North Dakota Libraries
Grand Forks, ND

John Heyeck
Stanford University Libraries
Stanford, CA

Kenneth McPherson
Morris County Free Library
Whippany, NJ

Murray Martin
Pennsylvania State University
University Park, PA

Norris Maxwell
Oklahoma State University Library
Stillwater, OK

Arthur Murphy
Chicago Public Library
Chicago, ILL

INTRODUCTION

The Budgeting, Accounting and Costs Committee of LAD-LOMS, ALA started this project about one year ago. All of us on the Committee are involved in the administration of libraries and recognize that business-type operations and their resultant terminology were prevalent in our daily work. In fact, several of us on the Committee have or are working on advanced business degrees to supplement library training. As we reviewed the field as a whole, it was obvious that, in fact, all librarians to a greater or lesser degree use business terms in their work. Libraries are a service business. One of the charges to our Committee is dissemination of information about budgeting, accounting, and costs to the library profession. The following primer was developed in the spirit of the above charge using the following assumptions:

1) Purpose - Most librarians use business terminology. A primer would encourage each of us to analyze our use of the terms and expose us to new and applicable terminology.

2) Target Group - Although applicable to all librarians, the main group we are writing for is beginning librarians as well as those students still in library school. We feel that those librarians may benefit most from exposure to terms they are now or will shortly be encountering for the first time.

3) Title - Primer versus glossary. Because this is to be a learning tool, we chose the mode of primer enabling us to give explanations and examples as against a definition alone.

4) Coverage - We attempted to choose terms that would be used in most libraries and to limit the publication to a small, easily-distributed size. The Committee members suggested terms and the Committee as a whole edited the final list used, with a maximum limit of 150 terms.

5) Authority - The Committee does not claim the definitions and examples used to be the final or best ones for all libraries but are exemplary of some current usage. Many of the terms have local variations and/or several meanings. The choices made reflect the effort of the editor to choose commonly used definitions with available library examples. Readers must be alert to variances in their own situations. However, each of these definitions was and is used currently by one or more Committee members in their work.

6) Distribution - Distribution should be free and wide to encourage use of the document. Initial mailings are to be made by the Committee to library schools and major library systems. LAD shall advertise and distribute copies to those interested individuals.

ACCOUNT - A subdivision of available funds. Example: Books, periodicals, salaries - full-time.

ACCOUNT BALANCE - Balance is that amount available yet to be spent within the fiscal period being used. A specialized account balance is unencumbered balance. The formula for this balance is: starting balance, less actual expenditures, less orders placed but not yet received, equals unencumbered balance. Example: Account for books has a budget of $10,000; paid to your jobber for this year $4,000; you have ordered $3,000 worth of books but they haven't come in yet. Unencumbered balance is $3,000. Another account balance is cash account balance. The formula is: starting balance, less actual expenditures equals cash account balance. Example: Public Library has a separate checking account for each sub-account. As in the above example, the account started with cash of $10,000; expenditures were $4,000 to date; encumbrances (orders) were $3,000. Cash balance equal to $6,000. Encumbrances have not reduced cash and do not affect the cash-balance.

ACCOUNTING CYCLE - Complete sequence of accounting procedures which follow in same order each accounting fiscal period.

1. Recording transactions in journals.
2. Classifying data by posting to ledger from journal.
3. Summarizing data from ledger on a trial balance.
4. Adjusting and up-dating recorded data as needed.
5. Summarizing adjusted data in form of financial statements.
6. Closing the books for the period.
7. Revising certain adjusting entries to facilitate processing in future periods.

See also: Debit, Credit, Bookkeeping.

ACCOUNTING PERIOD - Period of time for when an operating or account report is customarily prepared, most common being monthly.

ACCOUNTS PAYABLE - Payments (obligations) for items or services the library has used or received but has not yet fulfilled (to be paid). Example: You have ordered pencils for the year for $200 and they have just arrived. In an accounting system you now have an account payable of $200 to that company which sent the pencils until bill is paid.

ACCOUNTS RECEIVABLE - Payments (obligations) owed to the library but not yet collected (to be received). Examples: 1) Fine notices have been sent out for missing books. The obligations are accounts receivables. 2) A library publishes a book which it sells by mail order. After shipping book, it bills the purchaser. That bill represents accounts receivable for the library. See also Aging.

ACCRUAL - That process of periodically accumulating earned time or items. Example: Most library employees earn vacation time per month or payroll period. Vacation earned thus accumulates or accrues, thereafter known as accrued vacation.

ACCRUAL ACCOUNTING - The accounting method leading to financial reports whereby revenues are reported when earned and expenditures are reported when materials or services are received. Example: Fine notices for missing books are sent in one fiscal year but actual cash is received in the next. The revenue is reported as earned (accrued) in the first year. Ordered, but not yet received items, are not reported as expenditures, per se; only after actual item is received is it considered expenditures in accrual accounting. See Cash Basis Accounting for comparative method.

ACCRUED VACATION - See Accrual and Fringe Benefits/Indirect.

ACT OF GOD - (Insurance) - Event leading to building, property, or contents loss caused by nature, which could not have been prevented by care or foresight. This is an important clause within a library's insurance portfolio. Examples: Floods, lightning, earthquake, hurricane, forest fires (caused by lightning).

ADMINISTRATIVE COST - Component of cost analysis or cost accounting system defined as those fixed and variable costs directly related to administration. Administrative cost is usually referred to as a component of overhead. Examples: Director's salary, secretary to director, office materials used by administration, fringe benefits of administration, furniture and equipment used by this unit. Libraries vary widely in how they define what is "administration" in their institution for accounting purposes.

AGENCY FUNDS - The library often acts as fiscal agent for funds it does not own. Usually the library provides accounting services to the organization or person to which the monies belong. These agency funds are thus custodial and reported in a separate group from other funds. Examples: Staff Association, Friends of Library Group, student organizations, faculty clubs.

AGING - Usually referred to as "aging of an account." This is an analysis of accounts receivable according to time elapsed from date due on initial billing. If a library sends out bills it may also prepare aging reports. In fact, overdue notices sent in sequence are a form of aging of an account. Libraries receive aging reports from vendors indicating bills due. Example: An aging report is prepared by a book vendor and sent to a library indicating which invoices are 0 - 30 days old, 30 - 60 days, 60 - 90 days, and over 90 days old. Accompanying an aging report is usually a request for payment.

ANNUAL LEAVE - See Fringe Benefits/Indirect.

ANNUITY AND LIFE INCOME FUNDS - This fund group includes all funds carrying a stipulation that an institution makes payments to one or more specialized beneficiaries from the fund. If a library is obligated to pay the beneficiary a stipulated amount, this is an annuity fund. If a library agrees to pay income earned by the assets of the fund or percentage of market value, it is a life income fund. Upon the death of the beneficiary or at some agreed upon date, the principal of the

annuity or life income fund becomes property of the library. It is then available for use at the discretion of the institution or in accordance with terms of the agreement. Example: An individual gives a farm to a library with the agreement that the library will rent the farm to outside users and pay fifty percent of the rent received for twenty years to the beneficiaries of the donor. Then the library may sell the farm at the end of twenty years. Fifty percent of the rent for twenty years and proceeds from disposal of the property at the end of twenty years belong to the library.

APPROPRIATED FUNDS - A portion of library income which has been given by a governmental legislative body such as state legislature or U.S. Congress. The amount of money indicated in the appropriation legislation specifies an authorized spending limit for a specific time period and many times specific guidelines on types of expenditures allowed.

APPROPRIATING AUTHORITY - That governmental legislative body which legislates and appropriates funds for libraries; state legislature or U.S. Congress. Appropriating Authority may also be used in referring to the specific document or law stating the appropriated amounts. Example: Public Law-450 may be the appropriating authority for receipt of a federal grant, and PL-450 is put on all checks written to that grant fund as a tracing device.

ASSESSED VALUATION - The valuation placed on real and/or personal property for the purpose of levying general property taxes. Standards for assessed valuation are usually set by local or state authority and may vary widely. Example: An individual owns a house which he bought this year for $20,000. Market value is $20,000 and local law states that property is assessed at 40 percent of market value. The individual pays property taxes on $8,000. Valuations generally are reviewed frequently and may be appealed by individuals and corporations. The concepts of assessed valuation and property are critical to public libraries which are most often directly or indirectly supported by property taxes. See also Equalized Valuation.

ASSETS - The library's assets are its economic resources. Assets are used in statements to indicate resources owned by the library versus liabilities, which are resources to be repaid or owed by the library. Traditional types of assets include cash, property, buildings, (plant), investments, inventories (supplies and book collections), furniture and equipment.

AUDIT - Systematic investigation of procedures, operations, and cash on hand for purpose of determining conformance with established financial criteria. Audits are performed for different purposes and specialities such as: annual audit, audit of grant funds, cash audit. Internal audits are performed by persons employed by the institution and may be informal or formal. Larger institutions may even have an internal auditor who does nothing but audit. External audit is a formal accounting audit performed by an independent outside auditing firm.

AUTHORITY TO PURCHASE - It is important for the librarian to determine who has the final authority to initiate a legal commitment for purchases. This authority varies with local conditions and arrangements. Some terms used in a description of this authority would include: P.O., petty cash, voucher, direct orders, exempt orders, exception orders, authority orders. All describe a refinement of a formal "authority to purchase" system. Predetermine is common as a concept where there are certain categories of materials the library may directly order and bypass a purchase order or signature of higher level official. Example: Many times the book and periodicals purchases are viewed as outside a formal system and are ordered direct without purchase orders and are paid if the item is received, using the invoice as the triggering document for payment. These predetermines may also be called direct orders, exempt orders, exception orders.

AUXILIARY ENTERPRISE - Enterprises that are operated for services to clientele and are intended to be self-supporting. The distinguishing characteristic between auxiliary enterprise and a normal service department or unit is the notion of self-support for auxiliary. Example: Bookstores within libraries, book presses within libraries, copy centers that are self-supporting, gift shops.

BIDDING - That process where pricing and service quotations are solicited from various vendors on an identical item or items. Bidding may be informal, usually calling for three quotations using phone or written quotations. State, federal and local laws may require formal bidding above certain dollar amounts of purchases. In the latter instance, the bidding is usually preceded by specifications distribution to vendors, formal advertisement for bids, receipt of bids within a set time limit in sealed envelopes, and formal recorded opening of bids. Bids (quotations) either formal or informal are advantageous to the library in procuring the most reasonable prices for product received and advantageous to the public to prevent favoritism and graft.

BONDING - Placing an insurance policy (fidelity bond) on financial officers, such as directors or bookkeepers. The institution is thus protected from theft of funds by an employee whom is bonded. Example: The bookkeeper embezzles $1,000 of petty cash over two years and flees to South America. Since he/she was bonded, the bonding company pays the $1,000 back to the library.

BONDS - An interest bearing certificate of debt, constituting a loan made to the government (or borrowing agency such as a library). A formal promise by the library or government to pay to the lender a certain sum of money at a fixed future date including 1) the principal and 2) a series of interest payments during the life of the bond. Bonds are most commonly used in libraries to fund construction of buildings.

BOOKKEEPING - The process of analyzing, recording and classifying financial records in accordance with a financial plan for the purpose of 1) providing a means by which business transactions of the library can be conducted in an orderly manner and 2) establishing a basis for

recording and reporting affairs of the library. Terms frequently used in a bookkeeping system include a) posting-recording transactions, b) account balancing, c) double entry system--see Double Entry System, d) account transfers, e) debit, f) credit. Many libraries have an outside business operation, such as the city accounting department, handling bookkeeping in a formal system. The library may also have an internal, informal duplicate recording/bookkeeping system for informational purposes.

BORROWING AGAINST ANTICIPATED TAXES - When a library receives funds from property taxes, it may find a lag from when the fiscal year starts and when taxes (cash) are received. In order to continue in operation, the library must borrow operating funds from a lending institution to pay salaries and other items until anticipated tax revenues arrive. The library uses the anticipated taxes as collateral for the loan and must pay interest until loan can be paid back.

BUDGET - Any financial plan serving as a control and estimate over future activities or a plan for utilization of resources. Example: Manpower budgets, operating budget, capital budget, programming budget.

BUDGET CATEGORIES - The following are line-item type budget categories that are commonly used. This is not a comprehensive list, but exemplary. Budget categories are used to more easily separate and identify the libraries expenditures. Line-item categories are divided into types of expenditures which are similar because of items or services purchased; in comparison to program budget categories which are arranged around programs and services irrespective of types of items purchased.

a) Contractual Services - services performed periodically by an outside agency under contract. Examples: rents and leases for photocopy machines, custodial service, maintenance of equipment, delivery services.

b) Fringe Benefits - employee related benefits paid for by library. To be in a budget category these must be direct benefits which have budget cost. Example: health insurance premiums, social security contributions, retirement contributions.

c) Furniture and Equipment - generally furniture/equipment items valued at above a certain amount, such as $100, are included here. Below $100 they may be classed as supplies. This category may exclude equipment that is part of additions or rennovation of buildings, which could be classed in capital-buildings.

d) Materials - used to classify purchase of books, periodicals, audio-visual and microforms. Many budgets use the more specific categories in place of this broad one.

e) Salaries and Wages - gross earnings paid to employees for work performed, including overtime. Subcategories could include: full-time, part-time, student, clerical, custodial and others. This category generally does not include consultant fees and services.

f) Supplies - office, custodial, mending, binding, other related items in supply category.

g) Utilities - telephone is usually treated as a separate category. Utilities may include electricity, water, sewer, fuel oil, gas, steam.

BUDGET JUSTIFICATION - Budget justification is that process of developing reasons, statistics, logic, arguments to defend budget requests. The trend is toward quantitatively supported justifications. After preliminary planning, budget preparation and formal budget requests, there follows an informal or formal session with the financial control unit of the library (board, administration, city council) which may be called a budget justification session.

CALENDAR YEAR - January 1 - December 31.

CAPITAL BUDGET - Budget for fixed assets such as construction of new buildings, rennovations, land acquisition, or major furnishings and equipment acquisitions. Capital budgeting may also be referred to as budgeting for addition to plant. Capital budgeting may involve an accounting period beyond one fiscal year and revolve around long term financing such as with construction bonds. In city government, the capital budget centers around long term plans for capital asset expenditures such as a five year plan for street expansions.

CASH ACCOUNT BALANCE - See Account Balance.

CASH BASIS ACCOUNTING - The accounting method whereby revenues are recognized when cash is received and expenditures are recognized when cash is disbursed. Example: County tax board was to send tax money for the fiscal year ending June 30 on June 1; however, it was not received by library until following July 15. It is reported by library in the new fiscal year starting July 1 as revenues under cash accounting system. See accrual accounting also. Sometimes cash accounting systems are referred to as check book accounting.

CASH FLOW - The pattern of receipts and disbursement of cash on hand. Cash flows are not budget changes. Example: Cash flow budgeting is applied when a grant of $10,000 is received in February and disbursed equally over the next five months. Portions of the grant are invested so that cash available for payment comes just when needed and remaining money earns interest. See also Borrowing Against Anticipated Taxes as example of cash flow.

CHART OF ACCOUNTS - Authorized listing of the accounts and sub-accounts used in an institution for accounting purposes, giving standard name of account and numeric identifying codes used with each account.

COMPENSATORY TIME - See Fringe Benefits/Indirect.

COMPREHENSIVE INSURANCE - See Insurance.

CONTINGENCY FUND - That amount of funds set aside for unexpected or unplanned expenditures in the fiscal period. This concept used at two levels; one is system wide reserve fund for expenditures during a fiscal period, secondly and more common is a fund set aside in construction projects in anticipation of special needs not planned for. Example: Unusual price increases, strikes lengthening project and increasing cost would need to be covered by a contingency construction fund during building construction.

CONTRACTUAL SERVICES - See Budget Categories.

COPY COSTS - Component of increasing importance and magnitude in cost accounting in libraries. Types of copying may include mimeo, offset, microform, photocopy. Subcomponent cost units may include: paper, ink, labor, machine investment and maintenance, utilities, toners, and storage.

COST ACCOUNTING - That system which deals with recording, allocating, and reporting costs. The broadest term would include procedures for cost studies, methods of determining costs, comparison costing, and even a formal cost basis accounting system where the various types of costs are directly charged or assigned to accounts around activities, products, or services, to get as the final product, unit cost. Example: Circulation of a unit (book) becomes the unit cost. All costs attributed to that are charged to circulation unit such as: direct salaries, acquisition of materials, preparation of materials, shelving costs, postage, supplies, plus overhead (administration, utilities, depreciation). This cost of circulation is then divided by units circulated to get unit cost of circulating one item.

COST CENTER - Organizational division, department or subdivision which is identified and used for purposes of cost assignment and allocation. Each center has accounts maintained to record its activity. Example: The library may be a cost center within a larger organizational unit (i.e., university). The binding operation may have a set of accounts distinguishing it as a cost center within a library.

CREDIT - In double-entry bookkeeping, a credit is an entry on the right side of a journal entry. It reflects a: decrease/asset, increase/liability, increase/owner's equity, decrease/expense, increase/income. See also Double Entry System.

DEBIT - In double-entry bookkeeping, a debit is an entry on the left side of a journal entry. It reflects an: increase/asset, decrease/liability, decrease/owner's equity, increase/expense, decrease/income. See also Double Entry System.

DEDUCTIBLE - See Insurance.

DENTAL INSURANCE - See Fringe Benefits/Direct.

DISABILITY INSURANCE - See Fringe Benefits/Direct.

DISCRETIONARY FUNDS - Funds to be used at the choice/discretion of those with power to purchase. Also, in economic terminology, it indicates funds available after all essential, required expenditures have been made. The concept (very seldom is the term used formally to indicate a specific fund) indicates that some resources are available for selective use by the library with fewer guidelines or restrictions than normal funds.

DOUBLE ENTRY SYSTEM - Method of recording transactions into books called journals and ledgers. When entries (transactions) are recorded from journal entries (book of original entry) into ledgers, this is called posting. The main distinction of double entry is that every transaction involves a two way, self-balancing posting. Debit and credit are used for each transaction to balance it. This self-balancing characteristic is used to maintain the basic accounting equation of: assets equals liabilities plus owner's equity.

DRAM SHOP INSURANCE - See Insurance.

EDUCATIONAL LEAVE - See Fringe Benefits/Indirect.

ENCUMBRANCE - An account where liabilities for purchase commitments are recorded until such time the goods are received. This is also a commitment against available funds for anticipated expenditures evidenced by purchase order or contract. Example: A purchase order is sent for a new chair. The equipment account has an encumbrance charged to it. The encumbrance is removed when payment is made and payment becomes an expenditure.

ENDOWMENT FUNDS - Funds for which donors have stipulated, as a condition of the gift, that the principal will always be maintained inviolate; only the earnings or the investments of these funds may be used. Example: A local foundation gives the library $100,000 endowment for books. The library invests it in 8 percent government securities and can spend interest proceeds of $8,000 per year but cannot use principal of $100,000.

EQUALIZED VALUATION - Valuation of real property for taxation purchases which is standardized across similar types of property. Example: The state may establish a value to be set on all utilities in the state for local tax purposes--equalizing it for similar types of properties (pre-empting local assessment). Also the state may force local governments to change assessed valuation decisions and/or percentages if the state feels they are unequal. After local-state negotiation, the result is called equalized assessed valuation of property for taxing purposes.

ESCALATOR CLAUSE - Provision within a contract which allows the payments to increase or decrease in correlation to agreed upon factors such as cost to landlord. Example: The library agrees to rent a building for ten years for a branch facility. An escalator clause is put in that states the rent will go up or down, adjusted every three years at the rate the Cost of Living Index does likewise in that period.

EXPENDITURE - The amount of cash paid or to be paid for service rendered or asset purchased (noun).

EXTERNAL AUDIT - See Audit.

FICA - See Fringe Benefits/Direct--Social Security.

FINANCE - As a verb, it is the process of supplying funds for the library operation; to finance. As a noun, it is the theory and practice underlying the area of resource generation, banks, and other dealings in money and investments.

FINANCIAL REPORT - Report on operating conditions, financial position including income statement and a balance sheet (balance sheet--assets, liabilities, equity statement). A typical financial report would be prepared regularly for governing or administrative body of the library; giving income received, expenditures made, with budget accounts balances, and explanatory remarks for the period covered.

FIRE INSURANCE - See Insurance.

FISCAL YEAR - An accounting period of 12 successive calendar months. The three most common fiscal years are: 1) calendar year (January 1 - December 31); 2) July 1 - June 30, used by most state governments; 3) October 1 - September 30, used by federal government. When referring to the fiscal year in question, one must be alert as to what date is used to reference that particular year. Example: When the federal government refers to fiscal year 1978, it means that fiscal year ending in 1978 or 1977/78 (October 1, 1977 - September 30, 1978) but 1978 fiscal year could also mean January 1 - December 31, 1978 (calendar year).

FIXED EXPENSES - Those expenses (outflow of costs for operations) which do not vary with a change in volume of business, or other independent variable. Example: The library decides to close down completely for one month due to budget shortages. However, the library continues to pay on construction bonds due for the addition made last year. Open or closed, busy or not, these bonds are a fixed expense. Electricity, as reflected in light bills, does vary as hours open varies; it is a variable expense.

FRINGE BENEFITS/DIRECT - A benefit representing present or future return to an employee outside salary and wages which is neither deducted on a payroll nor paid for by the employee. From the institution's and accountant's standpoint, the cost of a fringe benefit is that direct outlay of cash by the employer. Direct fringe benefits are those that reduce the budget and reflect a cash, operating expense outflow. The following is a list and a brief description of the most common direct fringe benefits, (paid full or partially by the employer).

Dental Insurance - Group insurance plan for dental work. The library pays full or partial premium and employees, depending on various plans, receive reduced rates on dental work. This is a fairly recent development as a wide spread fringe benefit in industry and is still uncommon in libraries.

Disability Insurance - Insurance provided against serious disability caused by physical accident which forces employee to quit work. Full or partial wages are paid after accident by insurance company. Usually covers accidents both off and on premises related and unrelated to employment. Premiums vary with size of group covered, benefits and insurance statistics of profession covered. This insurance is in addition to workmen's compensation.

Life Insurance - Generally term insurance on loss of life. Many times a small amount is provided free by the library and the employee may purchase additional amounts at group rates.

Longevity Benefit Payment - Bonus payment in addition to wages for long service. There are two types. First is ongoing payment which is annual and increasing after certain number of years. Example: clerks in a library administered by a school board receive $120 after six years, $140 after seven years and so forth to a maximum of $300 as longevity bonus. Second, at the end of a career, a retiring employee may receive a cash bonus based on longevity; payment is not for vacation accrued or retirement, but a bonus.

Medical Insurance - Group policy covering medical expenses. Each plan, benefits and employer's share, vary with institution. This is a very common benefit. Example: Blue Cross/Blue Shield; as an insurer.

Retirement/Pension - In addition to social security, this is usually an employee/employer contributed plan. Most libraries belong to a large system with very specific guidelines and requirements. This may be a private or public fund. Employee and employer contribute until employee retires; then employee receives pension during retirement. The employer share is the direct fringe benefit expense charged to the budget.

Social Security - Federal retirement/benefit plan where it is required that government takes taxes to fund outflows of benefit payments from both employee and matching employer share. Currently there is a set percentage of wages taken up to a maximum dollar figure. The percentage and maximum seem to be constantly increasing which costs both the individual and employer more. Not all cities and states belong to the social security system. Social Security not only provides retirement payments but has components of 1) national medical insurance, Medicaid, 2) disability payments and 3) payments to widows and dependents. FICA is seen on many paychecks as the withdrawal category for Social Security. This stands for Federal Insurance Contribution Act, an act which allows collections for the Social Security insurance program.

Tuition Reimbursement - Institution reimburses the employee for educational courses tuition. This category may also include reimbursement for employee's children who attend University where library is located. Plans vary widely; some institutions reimbursing partially or only for work related courses, others reimbursing for any course.

Unemployment Insurance - Tax on the employer, usually from a state, under standards established by federal government. Revenues are used to pay employees, who are out of work due to no fault of their own, unemployment benefits. There are no employee contributions to this tax. Two methods of payment prevail: 1) a set percentage of salaries is collected from employer (3 percent of first $5,000 is example), similar to an insurance premium. This premium may be adjusted due to experience but usually has a minimum rate set by the state. 2) Employer may be self-insured. The employer pays the full cost of all claims against the system from employees who worked at the library prior to claiming.

Workmen's Compensation - Insurance policy providing payment of compensation to workmen injured in course of employment. The amounts received are usually prescribed for each injury as established in the

law of the state. Possible methods of coverage would include: 1) insurance in a state fund, 2) insurance with a private insurance company, 3) self-insurance. The specific guidelines, amounts of compensation and laws related to workmen's compensation vary from state-to-state.

FRINGE BENEFITS/INDIRECT - Benefits provided to employee which do not increase budget expense or cash outflow. Most of these benefits are time benefits which are a cost to the library in less work performed but are not cash reductions of the budget.

Leave - With or without pay - general category of which many of the terms in this list are sub-categories. Leave being time away from work. Additional reasons for leave besides those in the following list could include personal reasons or medical (in addition to sick leave).

Vacation/annual leave - Earned time off which is accrued on a set schedule. Time off is spent as employee chooses.

Educational Leave - Time off to pursue advanced degrees or course-work. May be viewed as time off during workday but more traditionally involves being gone full-time for a set period. Educational leave can be paid or without pay.

Funeral Leave - Time off to attend funerals of immediate family members. The traditional allowance is three days. This benefit varies widely among libraries. The employee is paid while gone.

Holidays Paid - National, state, local holiday where employee is not working but is paid for time.

Compensatory Time - An employee who works more hours than normally required may, instead of receiving overtime pay, receive time off at a later date. (This benefit is not always applicable under U.S. Fair Labor Standards Act).

Maternity Leave - Leave from work before and/or after childbirth. This is usually non-paid leave if it is classified as maternity. Pregnancy is now considered as an illness in most systems and maternity leave as such is less common.

Sick Leave - Earned, accrued time available to be taken if employee is ill on a working day.

F.T.E. - Full Time Equivalent - statistical tool allowing like measurements to be standardized for comparison. All fractions of measurement are combined mathematically to whole numbers in full time equivalents. This is most commonly used in counting staff and student body. Example: A questionnaire asked library for FTE staff. Current staff equals: 9 people who work 1/2 time each, 4 people who work 3/4 time, and 7 full-time workers. FTE = 9 x 1/2 time = 4.5 FTE; 4 x 3/4 time = 3 FTE and 7 x 1 time = 7 FTE; TOTAL 14.5 FTE. Total number of staff (body count) equals 20.

FUNCTION CODE - Within the numbers used to identify accounts and sub-accounts may be a code indicating function (purpose of fund). Example: This could include functions such as 1) academic support 2) departmental designation, such as reference within library group of accounts 3) cultural support 4) parks and recreation 5) libraries.

FUNDS - Governmental and institutional accounting, sum of money and/or other assets constituting a separate accounting entity. A separate budget is provided for each fund. Revenue and expenditures within fund have double-entry self-balancing accounts established for purpose of carrying on specific activities or attaining certain objectives. Example: Following are the most common municipal/county funds: general fund, special-revenue fund, bond fund, sinking fund, special-assessment fund, trust-and-agency funds, working-capital funds, utility fund, general fixed-asset fund, general bonded-debt fund. Each fund has a separate balance sheet and financial status report. Common university funds might include: current fund, endowment fund, agency fund, annuity and life income fund, sinking fund, plant fund.

FUNERAL LEAVE - See Fringe Benefits/Indirect.

FURNITURE AND EQUIPMENT - See Budget Categories.

HOLIDAYS - See Fringe Benefits/Indirect.

IMPOUND FUNDS - Governmental accounting, whereby executive branch curtails authority to incur obligations by withholding portions or all of a Congressional appropriation.

IMPREST SYSTEM - See Petty Cash.

INCOME TYPES - Income is generic term for all receipts of money or money equivalents received in an accounting period. Revenue is a sub-unit of income in governmental accounting. Libraries generate income from multiple sources and the following list is just a sample: appropriations, property tax, copy machines, vending machines, sale of publications, gift shops, rents, interest, gifts, federal grants, revenue sharing, bonds, fines, fees, lost books, book sales, endowments, sales tax, income tax, fines on overweight trucks (penal fines).

INFLATION - Persistent rise in economy's general level of prices. Examples: Inflation used as a general statement about increases include, inflation of wages, prices, expenses, fuel costs. Book purchased in 1972 cost $10.00. The same book exactly, today, would have an inflated price to perhaps $15.00.

INSURANCE - A business arrangement whereby those who may suffer similar losses contribute to a common fund, out of which the losses sustained by contributors may be paid. The business of managing such funds may be carried out by private companies, government organizations or by self-insurance. Referred to here in the insuring (coverage against damage or loss) of building, land and assets. Loss of life insurance is covered in fringe benefits. Examples of insurance are as follows:

> Liability - protection against damage to other's property or injury to persons. Generally the concept of negligence enter into claims made. Subcategories perhaps most applicable to libraries would be automobile liability, public liability and property damage liability, employees liability, personal liability. The major concept here is protection against damage to other's property and persons rather than library's property.

Fire - coverage against loss due to fire and related damage of water, smoke resulting from extinguishing fire.

Theft - very seldom found in libraries because premiums are so high and value of individual recoverable items (such as books) relatively low per item.

Personal Liability - Subcategory of liability insurance growing in need and use. This covers the administrative, financial, members and trustees of institution against suits for damage suffered by public in using services; being present on library property, or other contacts with library. Examples of liability: negligence, personnel actions, conflicts of interest, management of property, libel.

Comprehensive Insurance - General category indicating the addition of insurance to cover the library's property against damage independent of negligence. Examples: automotive, fire, theft, flood, earthquake, hurricane, tornado, lightning.

Dram Shop - Special coverage of serving alcohol in a public institution. Example: At ALA Midwinter, the Chicago Public Library may hold a party for ALA members where alcohol is served. Dram Shop Insurance would be purchased for that special occasion.

Deductible - Concept within all insurance plans indicating what percent or dollar amount of loss is covered by company and what by library. Many plans have a deductible whereby the first $200 (as example) of losses is covered by library and remainder is covered by insurance.

INTERNAL AUDIT - See Audit.

INTERNAL CHECK - Design of accounting transaction flow to protect against fraud. No single individual or group has exclusive control over any one transaction or group of transactions, each transaction being cross-checked. It is important to have separation of accounting from custody. Example: 1) One individual prepares purchase order. Another receives item, checks it in and prepares receipt notice. Third prepares voucher for payment from receipt and fourth signs check; all checking previous documents for accuracy. 2) Cash is received and distributed by cashier while the handling and reconciliation of the bank statement is from accounting department. Internal check is one technique of internal auditing.

INVENTORY CONTROL - Using accounting methods, the control of inventory on hand by recording the outflows and inflows of inventory. Most inventory systems are sophisticated in control of furniture and equipment, using tagging identification systems and a master inventory list. Supplies are usually controlled through stock or supply room requisition systems. Until recently, continuous control of book inventory has not been practiced. Recent developments in computer systems now make it possible to know inventory status (on order, checked in, checked out, at a branch) of every item in materials collections.

INVENTORY, PHYSICAL - Act of checking each item against a control list. A physical inventory is one technique of inventory control. Most governmentally controlled libraries require an annual physical inventory of furniture and equipment valued at high enough level for insurance coverage. Book inventories vary greatly in their frequency of performance among libraries.

INVOICE - Document supplied by a vendor indicating the character, quantity, price, terms, nature of delivery of goods sold or services rendered. This is the document sent as the initial step in request for payment. Most are numbered to allow accounting record to be traced through its completion and for reference purposes in a filing system.

JOURNAL ENTRY - An item prepared for a book of original entry showing accounts to be debited or credited, interpreting transactions in bookkeeping terms together with a description of activity. Example:

Date:	11/1/77	#483	Debit	Credit
Cash (check #, from John Doe)			$128	
Accounts Receivable				$128
Fines for lost book, paid 11/1/77				

See also Bookkeeping, Double Entry System, Accounting Cycle.

K. K=kilo - A Greek word for one thousand. It is commonly used as shorthand for the words or numbers representing one thousand, e.g., $14K = $14,000 = fourteen thousand dollars. K is frequently used in computer shorthand in describing the size of various computer memories; 10K memory is equal to 10,000 bit memory.

LAPSED FUNDS - Governmental accounting, funds unavailable for future spending such as unexpended balance of appropriation at the end of a fiscal year. These are forfeited funds which lapse back to appropriating agency.

LEASE - (noun) Document conveying use of land, building, equipment or service from one person (lessor) to another (lessee) for a specific period of time for rent or other compensation. (verb) To rent use of something. Example: Public library leases a building for use and pays the owner $390 a month rent. The lease runs for five years and is renewable for another five without price increase.

LEDGER - A book of accounts of final entry. Many ledgers are computer printouts reflecting the wide use of computers in accounting transactions. Types of ledgers may include general ledger, subsidiary ledger, private ledger.

LIABILITY - Obligations to others (that owed); other half of balance sheet; asset and liability. Example: Bonds payable, accounts payable, loans payable.

LIFE INSURANCE - See Fringe Benefits/Direct.

LINE ITEM BUDGET - Budget built around categories (lines) which are similar expenditure types. Categories traditionally may include salaries, utilities, furniture. The connection of lines of expenditures to changes in programs is done outside of the formal categories. Defense of this type of budget is usually oriented to explaining why each line changes. An individual line can be adjusted up or down in budget justification phase. See also Budget Categories.

LIST PRICE - Printed price such as in a catalog. Any price is subject to negotiation, trade or cash discounts. The implication is that any quoted price in excess of that actually obtained at final sale is a list price. Example: Price in book catalog for an encyclopedia is $400 (list price). The net price is $300 because libraries get a $100 discount.

LONGEVITY - Service which is rated and recorded. This record is used as a factor to determine bonuses, tenure, raises, seniority, recognition of service, and retirement benefits. In most instances, length of continuous service is as important as total length of service.

LONGEVITY BENEFIT PAYMENT - See Fringe Benefits/Direct.

MAINTENANCE - The cost of keeping any equipment in an operating condition. This is usually done by contract, frequently with the vendor, but perhaps with another organization. Sometimes the parent institution may provide repair service itself or maintain an institution-wide contract covering a class of equipment, e.g., typewriters. Various kinds of contracts and services are available.

MATERIALS - See Budget Categories.

MATERNITY LEAVE - See Fringe Benefits/Indirect.

MEDICAL INSURANCE - See Fringe Benefits/Direct.

MILITARY LEAVE - See Fringe Benefits/Indirect.

MILLAGE - Mill being one thousandth. This is the property tax rate applied to assessed valuation of property indicating tax due. Millage rate is expressed in whole and fractional numbers such as 3.4 mills. Example: The library determines that it needs $340,000 of property tax to run the library this year. The assessed valuation for the district (some fraction of total value of property) (tax base) equals $100,000,000 (one-hundred million) dollars. The millage rate needed to be set is 3.4 mills to generate $340,000. To the individual homeowners with assessed property valuation of $8,000 on the home, he or she will pay 3.4 mills (.0034) times $8,000 or $27.20 to support the library in that year. Obviously the larger the tax base (assessed valuation) in the community, the lower the millage rate needed to raise needed taxes.

MINIMUM WAGE - Wage established by state and/or federal government which is minimum hourly rate that can be paid to those employees covered by the legislation. Federal legislation is the Fair Labor Standards Act.

NET - An adjective used to describe a total either of items or cash after it has been diminished by all appropriate deductions. The net price of a book is list price less discount, plus postage. The net volumes added to a library are the totals of all new volumes cataloged or otherwise processed less volumes lost or withdrawn.

OBJECT CLASSIFICATION - Original name designation of an acquired good or service; grouping by type of expenditure. Within the account code number, this is the number that identifies expenditure category such as salaries, supplies, materials. Example: Book is classed as materials and code for materials is 563. No. 3310-563-182 could mean libraries, materials, federal project.

OBLIGATION - See Encumbrance.

OPERATING BUDGET - Budget covering recurrent and current revenue and expense. This is opposed to capital budgets or gift and endowment fund used for special purposes.

OVERHEAD - In a cost accounting analysis, that amount of expenditures which does not contribute directly to the main production or service; cost of doing business other than a direct cost. Many times this overhead cost is redistributed (allocated) in the analysis back to units being produced. Examples: Taxes, insurance, maintenance and repair, administration, utilities, supplementary personnel costs, building costs.

OVERTIME - Generally that time worked beyond the normal work period for an employee. Thus, if the employee works 30 hours per week normally, a 35 hour week could be viewed as working overtime. The Federal Fair Labor Standards Act classifies overtime for those who come under the Act as that time worked over 40 hours in any seven consecutive day period.

PERFORMANCE BUDGET - See Program Budget.

PERSONAL LIABILITY INSURANCE - See Insurance.

PETTY CASH - Small amount of cash on hand serving as a local checking account type arrangement, allowing small purchases to be made without going through formal requisition/purchase order system. Usually this is an imprest system whereby the fund is periodically restored to original level after expenditures.

PHYSICAL INVENTORY - See Inventory, Physical.

PREDETERMINES - See Authority to Purchase.

PROGRAM BUDGET - Budget where categories of funding, justification, and narrative are arranged by programs or services. As a result, costs must be allocated to service or program offered, costs such as labor, materials, space, equipment. With this system a service level and budget are connected. If a budget for a program is reduced, supposedly that should have a direct correlation on quantity and/or quality of service offered. Also known as a performance budget.

PURCHASE ORDER - Official document authorizing a vendor to deliver materials or services at a set price. This becomes a contract upon acceptance by vendor. The basic components standard to most purchase orders include: unique P.O. number, vendor name and address, date, description of items ordered, quantity ordered, price per item and totals, delivery address and instructions, time fram to complete order, shipping terms, discount or credit terms, name and address of ordering institution. Purchase orders are frequently referred to as P.O.'s, such as P.O. number is 57638.

RECEIVABLES - See Accounts Receivable.

RECEIVING REPORT - Document completed and sent to office or person responsible for paying for completed purchase orders. This document indicates those items received against those ordered on a particular purchase order. Many times a shipment is not complete and receiving report can indicate not complete order. Reasons on vendor's shipping statement for incomplete orders could include: out of stock, back ordered, no longer selling item, delayed in shipping, sent direct by factory, color not available and many more.

REQUISITION - Where the library has a formal purchasing system, this document is the initial request for action to be taken to acquire items or service. The requisition is sent to purchasing agency, which proceeds to determine best vendor and price and issue a purchase order. The requesting agency puts down as much information on the request as they have about quantities, prices, suggested vendors. The requisition is not always filled in that the purchasing department checks available balances, product availability, quantities, bidding needs, suggested vendors and more before writing the purchase order. A requisition is a request, not an order.

RESERVE FUND - See Contingency Fund.

RETIREMENT - See Fringe Benefits/Direct.

REVENUE - In governmental accounting, revenue is one part of income. It is receivables and receipts from taxes, customs and other sources but excludes appropriations and allotments. See also Income.

REVENUE SHARING - Federal government program. To replace many separate grant programs, Congress instituted revenue sharing where large grants with few strings attached are made from federal treasury to cities and counties or other local governmental units for their distribution. Many libraries have been successful in tapping their revenue sharing funds for income.

REVOLVING FUNDS - Fund that has continuous inflow and outflows of cash and activities. It does not end at the completion of a fiscal year and balances do not revert to a general fund.

SABBATICAL - See Fringe Benefits/Indirect.

SALARIES AND WAGES - See also Budget Categories.

SHARED COST - Any system whereby the library and another institution combine resources and share expenses on a service or item. Examples: 1) Shared cost cataloging of the OCLC system, where an expensive data base is maintained by sharing the cost between over 1000 members. 2) Shared cost use of computer time where many libraries combine to buy minimum amount of computer time, an amount which no individual library needed all of, nor could afford.

SOCIAL SECURITY - See Fringe Benefits/Direct.

SPECIFICATION - Formal detailed description of item or items to be purchased, provided or built; and usually associated with bids, purchase orders, and construction contracts. Included in a specification is description of item or service and may indicate some or all of the following: exact size, quantity, quality level, technical details such as metal gauging, thickness, time deadlines, installation requirements, delivery requirements, hiring requirements (affirmative action), comparable brands (equal to; suggestions), durability standards, warranties, and bond requirements.

STATE AID - State appropriations distributed directly to libraries. These appropriations are mainly grants from legislatures distributed by a state library using a formula approach (population) to public libraries or regional cooperatives. State aid varies in its level between states; varying from where it may be considered a small fraction of operating income or even a majority for a public library. Various state aid packages may include state aid for materials, salaries, operating expenses, and construction.

THEFT INSURANCE - See Insurance.

TRAVEL EXPENSES - Most libraries reimburse some employees for travel expenses incurred on the job, on behalf of the job, or for professional activities. A standard division of travel expenses is in-state travel versus out-of-state travel. Another basic division is job related travel and conference travel. Common items paid include: per diem (food and lodging--combined maximum), mileage (flat rate per mile if using a personal car), registration fees, direct travel costs such as air fare, direct lodging costs. Travel is usually a budgeted, separate category of expense within library planning framework.

TUITION REIMBURSEMENT - See Fringe Benefits/Direct.

UNENCUMBERED ACCOUNT BALANCE - See Account Balance.

UNEMPLOYMENT INSURANCE - See Fringe Benefits/Direct.

UNIT COST - Cost per unit of goods or services purchased or provided. Traditional usage might be cost per gallons, cost per delivery of industrial rags. Unit cost is more frequently being applied in libraries as a cost accounting tool to determine and analyze a unit of service such as unit cost for reference questions.

UTILITIES - MEASUREMENT - An important cost analysis element is utility use, especially with escalating prices in recent years. The following are a few terms used in heating/air conditioning and utility measurements. Basic heating systems available today include: hot water, steam, warm-air, electric heat and solar/hot water. Fuels used and their measurements include: fuel oil-gallons, coal-tons, electricity-kilowatt hours (KWhr), LP gas-per gallon, natural gas-per therm or BTU (British Thermal Unit). Water and sewer are measured by water in gallons flowing past a measuring point.

VACATION - See Fringe Benefits/Indirect.

VARIABLE EXPENSE - Those expenses that vary with changes in other variables. Within libraries variables that affect costs directly would include: hours open, number of branches, circulation, books ordered. Example: Utilities as an expense varied year to year for a public library because each year this library added one additional branch. See also Fixed Expenses.

VOUCHER - Used here in the disbursement voucher sense. This is the form to which bills, invoices, receipts are attached indicating authority to pay. Included on the form are details helpful to purchasing department which would issue payment.

WORKMEN'S COMPENSATION - See Fringe Benefits/Direct.

WORK ORDER - Formal document indicating work requested to be performed. This is generally associated with construction, buildings, maintenance or with physical plant or custodial departments.